ECONOMICS

RICS

UK Commercial Property Monitor

Q1 2024

ECONOMICS

Early signs of recovery evident, although the outlook remains relatively cautious

- Headline capital value expectations stabilise over the quarter
- Significant divergence seen in office occupier demand trends across Central London compared to the rest of the UK
- Majority of respondents feel the market has either reached a floor for this cycle or started to recover

The Q1 2024 RICS UK Commercial Property Monitor results show tentative signs that the market is shifting towards a recovery phase, albeit the current backdrop remains challenging given the relatively restrictive interest rate setting alongside structural headwinds. In keeping with this, the largest share of respondents now view the market as either having reached a floor for this cycle (35%) or having entered the early stages of an upturn (38%).

Focussing on the occupier market, the all-sector net balance for tenant demand came in at +4% in Q1, up from a marginally negative figure of -7% beforehand. Even so, the latest reading is consistent with a largely steady trend, rather than an outright increase at this stage. When looking at the sector level data, a net balance of +14% of respondents noted an uptick in occupier demand for industrial space. As such, this represents the most upbeat reading since Q3 2022, although it remains some way below the trend seen in 2021.

Interestingly, a net balance of +6% of contributors saw an increase in occupier demand across the office sector in Q1, marking the first positive reading for this metric since early 2022. On closer inspection however, this rise was entirely driven by Central London, where the net balance moved from +3% in Q4 to +40% in Q1. Elsewhere, virtually all other parts of the UK exhibit either a flat or slightly negative trend in office tenant demand. Drilling further into the sector, in response to an additional question included this quarter, 52% of contributors stated that they have witnessed an increase in the volume of office tenants looking to downsize over the past twelve months. Alongside this, close to 90% of respondents report seeing either significant or modest levels of office repurposing to other uses of late (up slightly from 86% when this question was last included in 2021).

For the retail sector, occupier demand remains largely subdued, although the Q1 net balance of -10% is at least slightly less downbeat than the figure of -18% seen in the previous iteration of the survey. In terms of availability, respondents continue to cite a rise in vacant space across both the retail and office sectors at the national level over the quarter. By way of contrast, availability was reportedly flat for industrials in Q1.

For the coming twelve months, rental growth expectations moved a little further into positive territory for both the prime and secondary industrial sectors relative to Q4 (posting net balances of +56% and +22% respectively). Likewise, prime office rental projections were also upgraded, with a net balance of +42% of respondents now anticipating an uplift in rents vs +30% previously. Conversely, rents are still seen falling across secondary offices over the year ahead (net balance -36%). For the retail sector, prime rents are seen holding steady over the next twelve months (net balance +3%), although secondary retail rents are still expected to fall a little further according to a net balance of -42% of contributors. These trends are broadly replicated across the regional data, with the only noteworthy distinction being that Central London prime office rental projections are firmer than the national average, at +54%. Moreover, this represents the strongest outlook for CL prime office rents since Q1 2016.

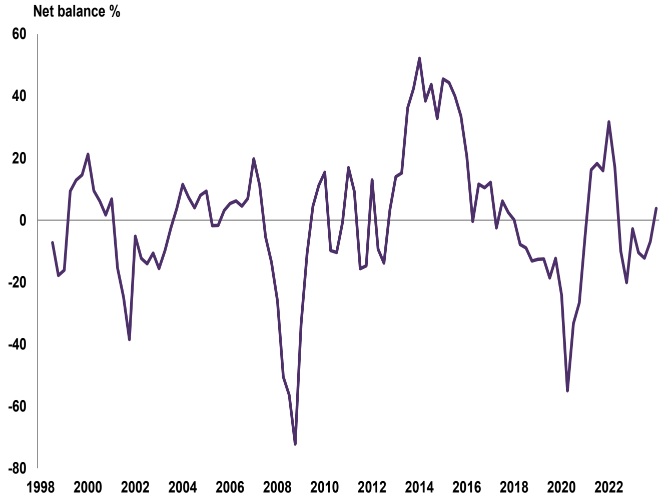
In the investment market, the headline demand gauge moved into neutral territory, posting a net balance of -4% relative to a more negative reading of -19% last quarter. Even so, the picture remains varied at the sector level, with only the industrial sector seeing a rise in investment enquiries during Q1, evidenced by the net balance picking-up to +14% from +2%. Meanwhile, buyer demand is still struggling for momentum in the office and retail sectors, albeit the Q1 net balances of -14% and -18% are a little less subdued than those seen last quarter (-32% and -34%). With respect to international investment demand, a flat to modestly negative trend was noticed across all mainstream sectors.

In terms of the outlook for capital values, respondents appear to have solid conviction that prime industrial assets will see some capital value appreciation over the year to come (net balance +54%), while primes office values are also seen rising (net balance +25%). Secondary industrial properties are anticipated to deliver a more modest uplift in values (net balance +14%), with prime retail values seen holding relatively steady (net balance +5%). At the weaker end of the spectrum, respondents expect capital values to continue to slip across secondary office and retail markets over the next twelve months.

Looking at some alternative sectors, twelve-month capital value projections are firmly in positive territory for life sciences, student housing, aged care facilities and data centres (with all sectors displaying net balances above +46%). On the same basis the outlook is also positive, though to a slightly lesser degree, across multifamily residential (net balance +38%) and for hotels (net balance +24%). Meanwhile, leisure capital values exhibit a marginally negative twelve-month assessment, posting a net balance of -10% (slightly weaker than the reading of -6% registered last quarter).

Commercial property all-sector average

Occupier demand



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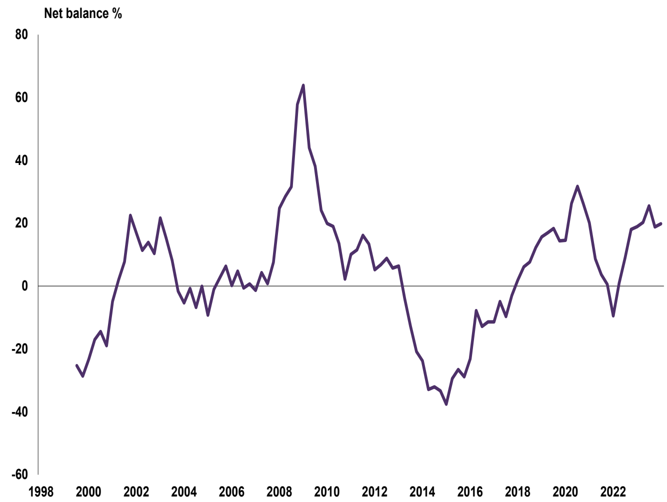
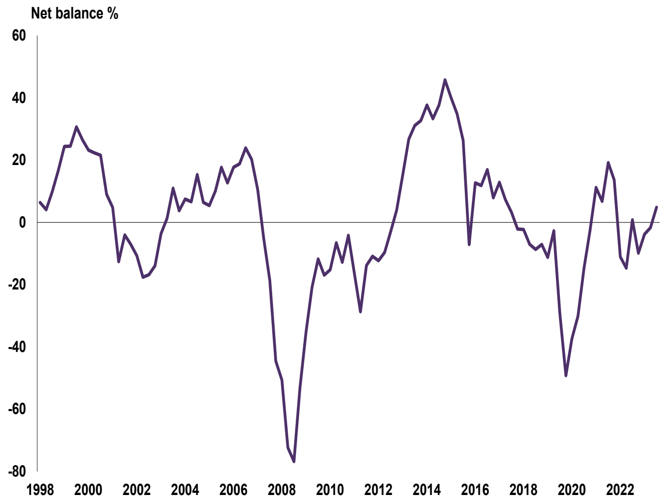
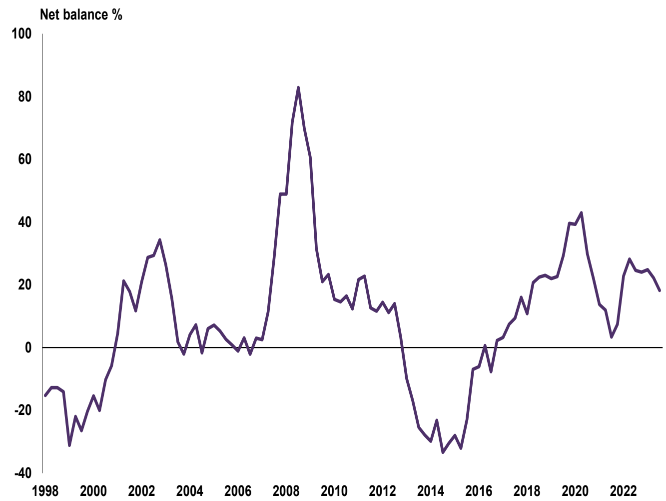


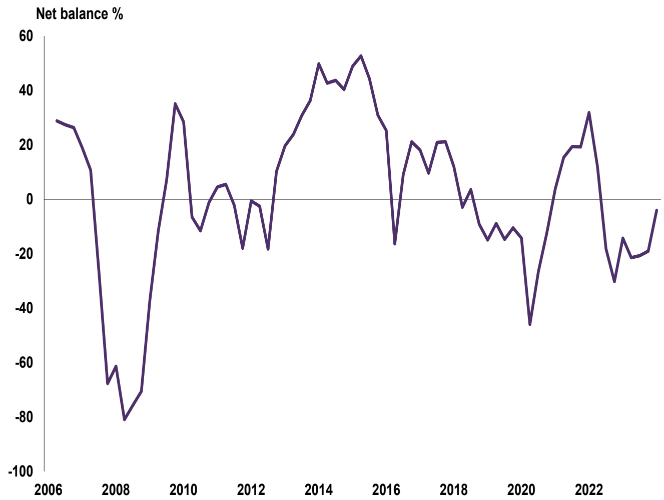
Rent expectations



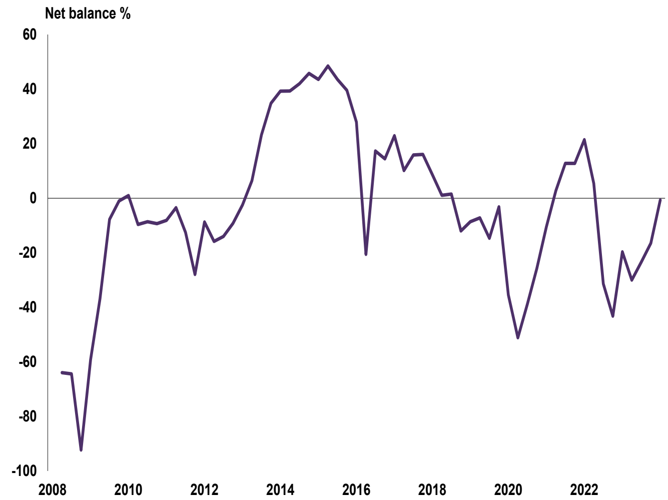
Inducements



Investment enquiries

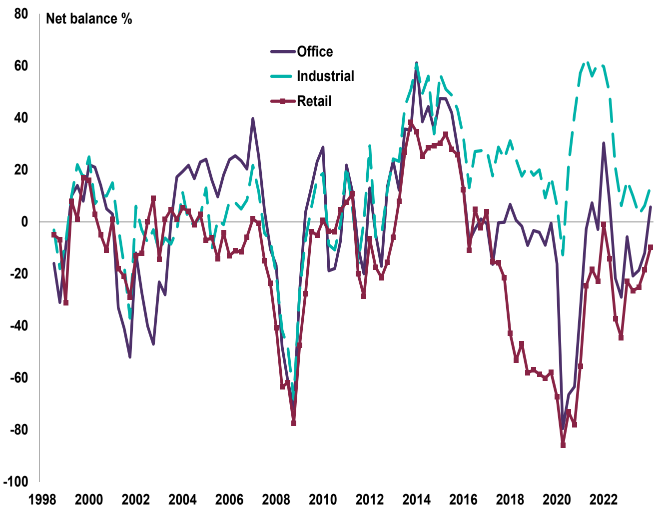


Capital value expectations



Commercial property - sector breakdown

Occupier demand



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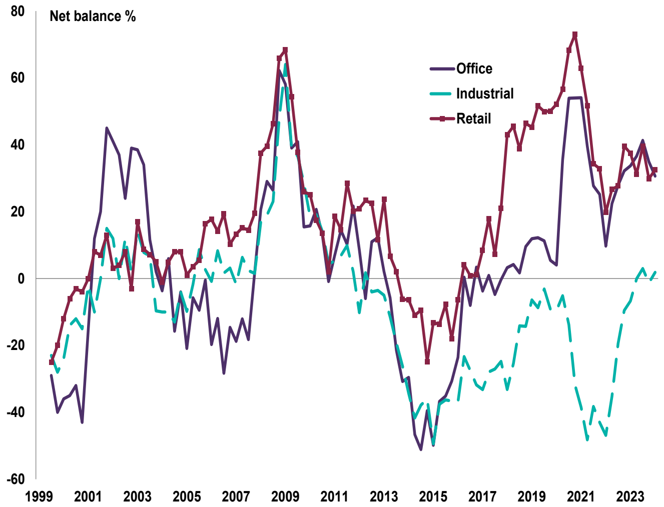
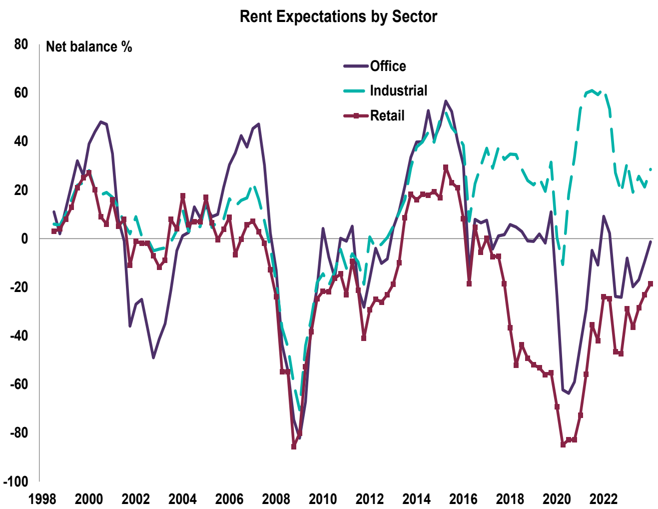


Rent expectations



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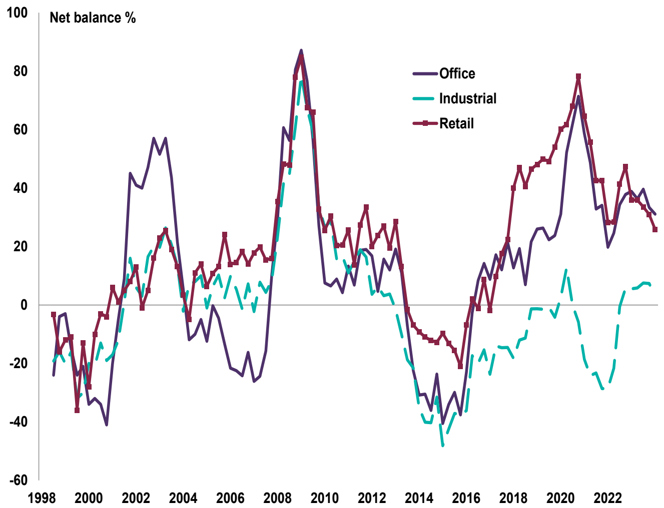
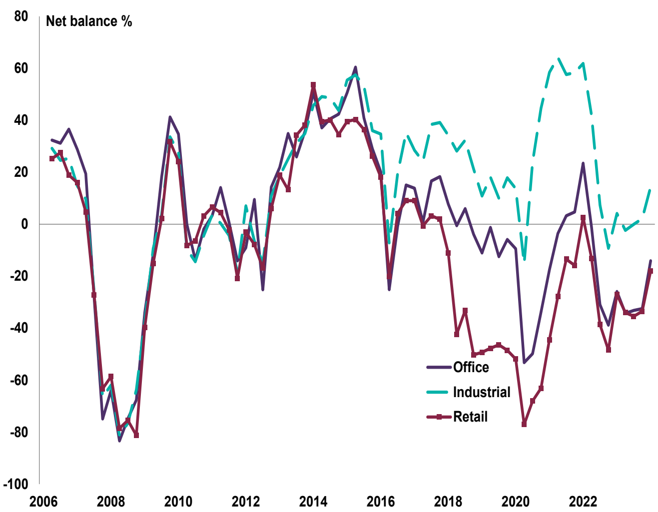
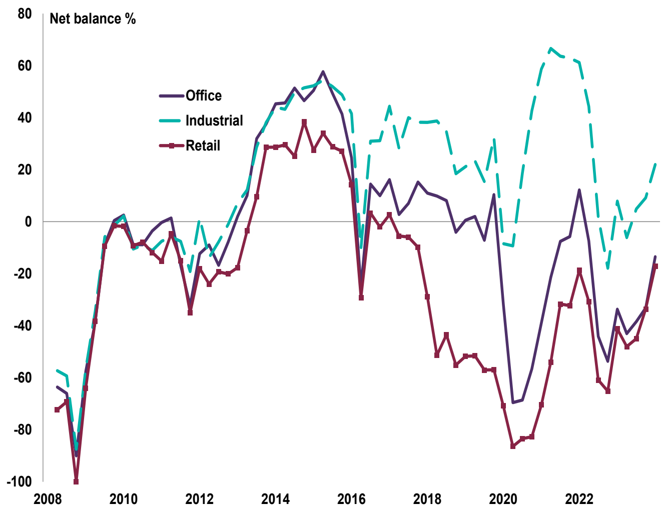


Investment enquiries

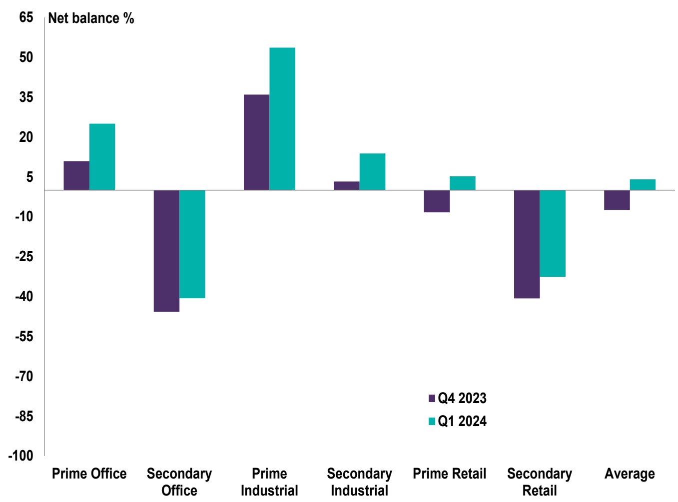


Capital value expectations



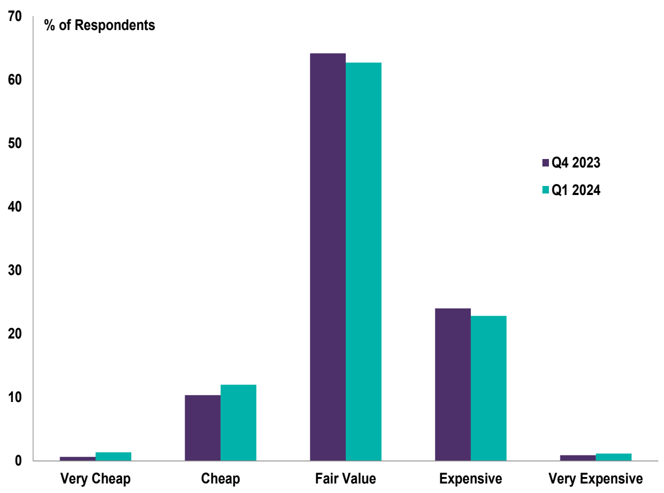
Commercial property - additional charts

12-month capital value expectations

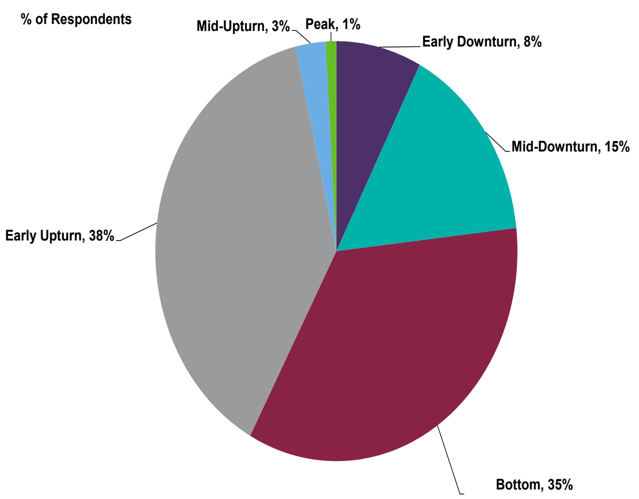


12-month rent expectations

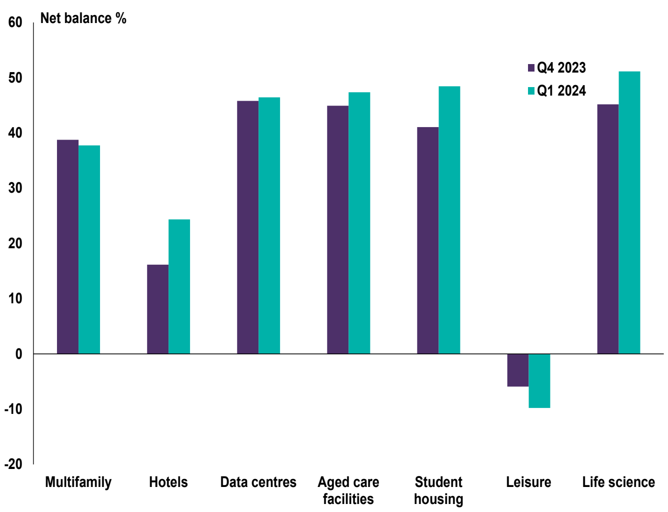
Market valuations



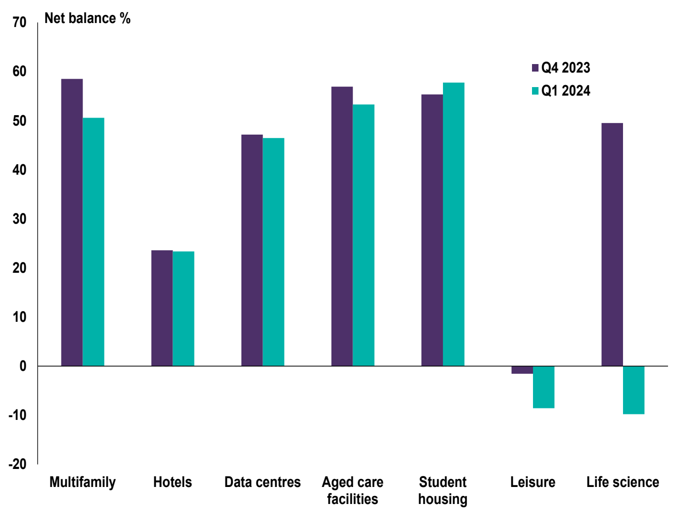
Property cycle



12-month capital value expecations alternatives



12-month Rental expecations alternatives



Chartered surveyor comments

East Midlands

Brendan Bruder, Northampton, Abbeyross Chartered Surveyors, brendan.bruder@gmail.com - Even with a bit more appetite for lending, cash deals prevail. Distress continues in leisure and pubs though recovery evident in mid market F&B. Very few international enquiries beyond BTR and prime industrial.

David Meghen, Yardley Hastings, Meghen & Co, david@meghen.co.uk - Poor as developers are waiting for the next general election and the market is weak.

David Smith, Northampton, Drake & Partners, dsmith@drakeandpartners.co.uk - We are seeing a recovery in market demand and values, with the latter being further fuelled by a critical lack of stock in all employment use sectors. This will remain the case unless or until a government sorts out a planning system that is no longer fit for any purpose whatsoever and further realises that they not only need to fixate on where people live but also where they are going to work.

David Tate, Chesterfield, Copelands, djt@copelands-uk.co.uk - Interest rates need to come down sooner rather than later.

Eamonn Devine, Bedford, Bedford Borough Council, eamonn.devine@bedford.gov.uk - Apart from industrial, all very flat.

Ian Mcrae, Northampton, Chadwick Mcrae, icm@cmcre.co.uk - The amount of "grey" warehouse space (pallet locations available on a flexible basis) on the market is now at record levels, with one broker reporting the highest ever level of availability at what equates to 50,000,000 sq. ft. in England & Wales alone. This is one broker's availability, not what the whole market has available.

John Chappell, Skegness, Chappell & Co Surveyors Ltd, john@chappellandcosurveyors.co.uk - Early shoots of recovering interest but values still sluggish.

Nigel J.B Carnall, Sutton In Ashfield Ng17 1Da, W.A.Barnes Llp, njbc@wabarnes.co.uk - The market is static for most purposes.

Simon Ives, Market Rasen, Simon Ives Ltd, simon@simonives.co.uk - The market is pretty flat. Decent mid-size industrial space is available but choice is limited and landlords often face letting cheaply or not at all. That doesn't stop 'aspirational' rental expectations though. Those, in turn, are self-defeating as only those occupiers who have to move are opting to do so; those who have a choice don't.

Steven Magorrian, Milton Keynes, Kirkby Diamond, stevenm@kirkbydiamond.co.uk - Likelihood of interest rates coming down is helping.

Eastern

Jeff Fuller, Norwich, OA Chapman & Son Ltd, jeffdfuller@hotmail.com - Real issues emerging in hospitality sector where pressure on tenants is increasing significantly. Loss of supply in residential rental sector driving rents higher. Prime industrial with multiple income streams becoming investment of choice.

Sam Kingston, Norwich, Roche Chartered Surveyors, samk@rochecs.co.uk - The office and industrial market has been relatively subdued at the start of 2024. There is activity at the smaller end of the market, but larger requirements are limited and occupiers more cautious. Freeholds do continue to sell, due to scarcity and value for money, set against the cost of new property values.

Stephen David Scott-Fawcett, Ely, Martin & Mortimer Ltd, stevescottfawcett1@gmail.com - Steady recovery in most sectors with light industrial still strongest. Office sector static with slight growth noted in prime retail sector.

William Clarke, Cambridge, Biomed Realty, wbc5380@hotmail.com - Slowing levels of occupational demand generally but still stable. I suspect rents will plateau on life sciences side, and office sectors will remain static for 12 months. Secondary stock, location etc will find life difficult.

London

Adrian Tutchings, Orpington ,Kent, Linay'S Commercial Ltd, commercialproperty@linays.co.uk - The market remains flat . Office enquiry levels very poor. Secondary mixed use investment market in a price band up to £1,000,000 is encouraging.

Andrew Cohen, Central London, Amshold Group Limited, andrew@amsprop.com - For the right product there is good tenant demand otherwise the market is subdued.

Andrew Dobson, London, BCM Real Estate, adobson@bcmre.com - Stagnation due to pending general election.

Ben Preko, London, Salter Rex LLP, bp@salter-rex.co.uk - Market is generally stagnant at the moment.

Christopher Lacey, London, Sir Richard Sutton Limited, Christopher@srsl.co.uk - Whilst office demand is returning gradually in Central London, with interest rates unlikely to come down before the Summer and the cost of living weighing on the UK (coupled with UK and US election uncertainty), I expect the property market to remain benign for 2024.

Giles Veitch, London, Dwyer Property, giles@dwyerproperty.com - The market growth over last 10 years was all fuelled by cheap debt and quantitative easing. Surplus cash from geared investment will dry up and many will be underwater on valuations.

Javier Lauret, London, Hurford Salvi Carr, javier.lauret@h-s-c.co.uk - Secondary office rents remain depressed with very weak demand. Some office space is now being absorbed by educational, creative, design and medical sector occupants taking advantage of very attractive rents.

John Graham, London, Douglas Advisory Ltd, j.graham12@icloud.com - Upcoming budget, BOE interest rates, inflation %, National Gov elections will all impact the marketplace this year.

John Knowles, London, Colliers, john.knowles@colliers.com - Market still very lethargic apart from super prime and is becoming more polarised on a daily basis.

John Stacey, London, BC Capital, jstacey@bccap.com - Capital markets are still not functioning, supply side slowdown in terms of overall development pipelines, patchy occupier markets but a flight to quality does appear to exist. Industrial rental growth has now normalised. Rental residential looks an interesting sector and should deliver rental growth due to supply side constraints, planning etc. No widescale distress but this may change as refinancing events approach.

Kamil Chowdhury, London, Petrichor Property Consulting Limited, kamil@petrichorproperty.co.uk - Expecting to see more feasibility work on the conversion of secondary offices to residential through PD development rights.

Mac Lal, London, Macneel, maclal66@gmail.com - Tough market linked to interest rate environment and weakness of UK economy.

Mark Howard, London, Doherty Baines Limited, mhoward@dohertybaines.com - Low volumes of transactions for investment and leasing across office and industrial sectors.

Mike Penlington, London, Kel Computing Ltd, mike.penlington@kel.co.uk - Tentative signs of recovery.

Neil Miller, London, Lawrence Vacher Llp, neil.miller@lvpsurveyors.co.uk - Uncertainty in the current times.

Nigel Harrison, London, Harrison Leggett, nh@harrisonleggett.co.uk - Central London best in class offices remain in demand with rents peaking. Flexi Office offerings are now seeing competitive terms being openly suggested in some areas which implies potential over supply of this type of property.

Robert Bowden, London, Bentinck Estates Llp, robert.bowden@bentinckestates.com - Only when interest rates move will the market move.

Rod Bowers, London, Hamburg Commercial Bank, rod.bowers@hcob-bank.com - Overall market is stabilising.

Sean Dempsey, London, Boultbee Ldn Capital Ltd, sean@boultbeeldn.co.uk - In anticipation of lower inflation and subsequently lower interest rates, there is definitely a feel of imminent change. However, confidence remains low and fundamentals such as high development costs will continue to suppress activity. Conversely, a lack of Grade A and Prime supply and the recent period of inflation, may result in an earlier than expected growth in rents.

Simon Laker, London, Vive Re Advisory, Slaker@vivereadvisory.com - Market conditions remain challenging in the office sector, with increasing use of hybrid working and landlords needing to address buildings that in many cases are not fit for purpose or need repositioning. There continues to be strong tenant demand for good quality new or refurbished offices that are centrally located in cities close to transport infrastructure and amenities. Constrained supply levels will result in upward pressure on rents and capital values despite challenging finance conditions.

Steven Gray, London, Global Mutual, Sgray@globalmutual.com - Challenging.

Thomas D Whirledge, London, David Whirledge, david@whirledge.com - The industrial market looks over priced in rental terms with the affect of huge increases in rates not yet filtering through.

Tim Edghill, London, Space Asset Services Limited, Tedghill@spacedevelopments.org.uk - I think there is a general view that we are at the bottom of the market cycle wise, however, nervousness remains. First, because with a fragile global economy it is unclear how long we will be at the bottom and second because vendors and owners still have an unrealistic view of asset value and so values need to drop before a more active trading market will be realised.

Tony Parrack, London, TP Consult, tonyparrack@tpconsult.co.uk - I specialise in offices in and around the West End. There is still a lack of larger floors in prime locations. Second-hand space is usually allied with leases that have too short a period of time to review or expiry which combined with what may at first appear to be a good quality fitout, but does not comply with current needs for Zoom rooms, collaborative spaces and other post-Pandemic requirements makes these spaces unattractive. There is a move away from WFH to hybrid and even full-time office.

Tristram Frost, London But Dealing Mainly With Western Europe, Atlas Property Advisors, twtfrost@googlemail.com - Still significant gaps between vendors and buyers expectations in many cases but activity gradually improving.

W Nicol-Gent, London, Killochan & Co, louanna@blueyonder.co.uk - An ostrich like approach continues in many areas.

William Spencer, London, Vectis Property Group, william_spencer@live.com - Things appear to be in suspense while we wait for the first drop in interest rates. That will cause a flurry of activity.

North East

Andrew John Wilby, Wakefield, Clifford Lax/Y.I.Ga., andrew.wilby@clifford-lax.co.uk - Until the supply of money for commercial property eases and margins become sensible for borrowers, commercial property is going nowhere fast. The public sector can't drive the market forever.

David Downing, Newcastle Upon Tyne, Sanderson Weatherall Llp, david.downing@sw.co.uk - Investment market remains relatively strong, but still limited transactions, as finance rates remain high and banks are increasingly selective on the deals they want to fund. Market still very keen on long term income. Occupier market a bit more unsteady, with the prospect of a general election in the next 12 months, there is the usual uncertainty about what impact a new government (and probably a Labour one) will have on the property market.

Gavin Black, Newcastle Upon Tyne, Naylorsgavinblack LLP, gblack@naylorsgavinblack.co.uk - There a number of uncertainties in the market which are affecting decision making and creating a potentially negative set of conditions that support waiting to reach a conclusion before action.

Gerard Darby, Hartlepool, Hartlepool Borough Council, gerard.darby@hartlepool.gov.uk - Flat.

Helen Wall, Sunderland, Bradley Hall Sunderland, Helen.wall@bradleyhall.co.uk - Appetite for retail investments is generally low though owner occupiers are starting to gain market confidence again after a quiet H2 2023.

Kevan Carrick, Newcastle Upon Tyne, JL Property Consultants LLP, kevan@jkpropertyconsultants.com - Development will proceed with bespoke occupiers but otherwise speculative development is unlikely until economy improves with consequent improvement in the level of demand. The disposal of space is taking longer but enquiries are continuing albeit at a slower pace. Yet to see an improvement of confidence in the market. There are opportunities to be considered.

Simon Haggie, Newcastle Upon Tyne, Knight Frank Llp, simon.haggie@knightfrank.com - The first quarter of 2024 has been fairly subdued although there are some early signs of greater confidence amongst businesses/occupiers.

North West

Andrew Ellis Leah, Burnley, Burnley Borough Council, aleah@burnley.gov.uk - Currently depressed with occasional aberrations resulting from ill advised external investors from other (less depressed) regions.

Andrew Taylorson, Preston, Eckersley Property Limited, at@eckersleyproperty.co.uk - Market activity is still frustrated by a limited supply of stock particularly in the industrial and trade counter sector maintaining strong capital values. The residential land market is also active but land values are depressed due to the heavy burden associated with Planning Gain, Part L costs and BNG with vendors not inclined to sell. Viability is an issue due to a broken planning system and delays exacerbating holding costs and bringing uncertainty into the market.

Brian Bailey, Manchester, Edmundson Electrical Limited, brian.bailey@propertyservicecentre.co.uk - Still challenging in various sectors.

Daniel Harris, Manchester, Daniel Harris And Company, dh@dh-property.co.uk - Slowdown in office enquiries. Majority of enquiries sub 1,500 sq. ft. Wider variety of users now looking for office space.

Jody Lauder, Rp Taylor Chartered Surveyors, Lancaster, Richard P Taylor Chartered Surveyors, jody@rptaylor.co.uk - The constraints of readily available development land and the political machinations that Lancaster City Council suffers means that commercial development is entirely limited, a predominance for residential development leads whilst the district continues to be a net exporter of professional labour.

Keith Mitchell, Lake District National Park, Edwin Thompson, k.mitchell@edwin-thompson.co.uk - In both agency and valuation, there appears to be significant variance in opinions of value due to a mixture of market uncertainty, limited transactional activity and disparate views of where in the property market cycle we currently are.

Kevin Tobin, Manchester, Jacobs, kevin.tobin@jacobs.com - Big corporates are moving to smaller, prime office locations with high spec reception and meeting areas with minimal back office space.

Mark Cullen, Skelmersdale, Stonegate Group, mark.cullen@stonegategroup.co.uk - Market is still coping with the current economic conditions and lack of Government assistance. Investors are there but the confidence to commit and invest is on hold.

Martyn John Garner, Stockport, Cheshire, Garner + Sons, martyngarner@garnerandsons.co.uk - The market generally has remained fairly static over the past three months, across all sectors in which we are active. However, there are encouraging signs of increasing and improving confidence in property generally and I would expect to see strengthening demand with rising rentals and prices over the next twelve months or so.

Mike Fisher, Lancaster, Fisher Wrathall Commercial, mike@fwcommercial.co.uk - There is still a significant lack of supply of small to medium size industrial units. This is constraining economic growth in the local area.

Neil Lovell-Kennedy, Manchester, Proxmity, neil@weareproximity.co.uk - Static.

Richi Peters, Liverpool, The UpCo, richi@theupco.co.uk - Banks have a lot to answer for the state of the UK. Seems they have shut up shop.

Simon Adams, Kendal, Peill & Company, simon@peill.com - General enquiry levels have increased in Q1 2024 across all sectors of the market.

William Madada, Manchester, Jacobs, william.madada@jacobs.com - There is a decline in property prices for residential premises of up to 3% on average, office take up has seen some significant downfalls. The expanding of planning uses has yet to show an upside for retail premises.

Northern Ireland

Arthur Connell Nugent, Newry, Young -Nugent, achn488@outlook.com - Industrial space holds the floor at present. Office and retail space is seeing poor demand.

William Mcfarland, Enniskillen, Eadie, Mcfarland & Co. Ltd, william@eadiemcfarland.co.uk - Good.

Scotland

David, Helensburgh, Argyll & Bute Council, David.Allan@argyll-bute.gov.uk - Home working continues to have a significant influence on the office market with more offices now surplus.

Denis Batts, Edinburgh, Denis Batts Property Consultants, denis@chl.uk.com - A degree of uncertainty over the state of the economy and the forthcoming general election.

South East

Alex Medhurst, Chichester, Medhursts Commercial Surveyors, alex@medhursts.com - Pretty flat local market currently. After an encouraging start to January, this has tailed off and election uncertainty is expected to stall decision making later in the year.

Colin Brades, Brighton & Hove, Avison Young, colin.brades@avisonyoung.com - Brighton: The prime and good secondary retail sectors appear relatively stable heading into Q2 with some indication of a slight increase in demand for both. Static rents and little movement in tenant concessions being granted since Christmas. Similarly, there has been limited movement in occupancy rates during Q1.

Darren Bradley, London/SE, Cromwell Holdings, dcb@park-place.co.uk - Too much optimism in the expectation of the speed and magnitude of future reductions in interest rates.

David Holt, London/SE, Why Property Investment Ltd, dh@why50.com - As always there are pockets in the market where there is strong demand for the right product.

David Lodowski, High Wycombe, Chandler Garvey, DL@chandlergarvey.com - Offices and retail relatively stagnant, some office availability expected to hang around for some time. Retail struggling in areas without well-off demographics. Industrial continues to be in high demand and under supplied.

David Martin, Brighton, SHW, dmartin@shw.co.uk - The office market in the City has remained strong for grade A stock, with new buildings in particular attracting high levels of interest, pre- completion. Industrially, supply remains an issue with good demand but occupiers are now taking longer to commit. In the retail sector, the strongest demand is being shown by local independents. The acquisition of Churchill Square shopping centre by IKEA will be a boost to the retail sector in the City, going forward.

Iain Steele, Farnham, Park Steele, iain@parksteele.com - After a sluggish start to the New Year, enquiries have picked up with an increase in viewings. The legal process continues be frustratingly slow and causing issues with transactions. Industrial remains the star performer but retail independents are still on the acquisition trail.

Ian B. Sloan, Banbury, Bankier Sloan, reception@centre-p.co.uk - The demand for industrial units of under 10,000 sq. ft remains strong in North Oxfordshire and the North Cotswolds. With this sector of the economy still improving and no new industrial developments of this size being under-construction, rents will continue to rise as demand strengthens as we progress through 2024. Retail rents in the tourists towns of the North Cotswolds have held up well as the tourist seasons appears to lengthen year-on-year.

John Jeffery Hempton, Lymington, Property Consulatncy, jjh@hemptonfranks.co.uk - Continuing political uncertainty, world instability, economic difficulties, all contribute to caution in the property market and lack of new enquiries.

Julian Scannell, Chatham, Watson Day Chartered Surveyors, julianscannell@watsonday.com - Overall, the markets in which we have an involvement - light industrial/warehouse/distribution, offices and secondary/tertiary retail, have remained reasonably stable, in terms of rental/capital values, supply, new developments etc. We have seen the level of return required by investors increase, which is unsurprising in view of the 14 successive increases in bank rate over the past 2 years. That has increased the cost of borrowing significantly, which is reflected in investment yields.

Martin Black, London/SE, Black Stanniland, mblack@blackstanniland.com - High interest rates and levels of inflation are continuing to adversely affect business confidence. The prevalence of hybrid and flexible working patterns is resulting in central London retail benefiting from office worker footfall on 3 days of the week. However, local retail locations in the suburbs near to transport hubs are benefiting from new flexible working patterns. A number of our clients are converting office space to residential both in central London and home counties.

Mr Peter Brown, Kings Langley, Brasier Freeth, peter.brown@brasierfreeth.com - Office enquiries increasing with focus on very best stock-parking less critical.

Nicholas Richardson, London/SE, Montagu Evans Llp, nick.richardson@montagu-evans.co.uk - There is an increasing allocation of capital and depth of buyer pool targeted to out of town retail and supermarket investments, with a lack of suitable stock. This, combined with easing interest rates and a generally robust occupational market, should provide the conditions for yield compression as the year progresses.

Nicholas Threlfall, Chatham, Watson Day, nickthrelfall@watsonday.com - Getting tougher after a long very good run.

Nick Hanson, Farnham, Vospers Friend & Falcke (Incorporating Emberson & Co), nick.hanson@vospers.net - Clear evidence that activity is being restricted awaiting outcome of election - whenever that may be.

Nigel Riley, Woking, Citicentric, nigel.riley@citicentric.co.uk - Hopefully we are at the bottom of the cycle. Small retail businesses setting up but only paying low rents. Larger retail units very difficult to let. Many offices being marketed for refurbishment or conversion.

Oliver Quinn, Henely On Thames, Simmons & Sons Surveyors, oquinn@simmonsandsons.com - Stagnant.

R Deavall, Chichester, Robert Deavall Associates Ltd, rob@rdal2.co.uk - Very early recovery across most sectors.

Richard Harding, London/SE, Bray Fox Smith, richardharding@brayfoxsmith.com - Modest increase in office demand in the South East in Q1 2024 but take up will be disappointing. However, I expect Q2 take up to improve with a number of large transactions under offer.

Russell Francis, London/SE, Colliers International, russell.francis@btinternet.com - Investors anticipating lower interest rates and trying to purchase ahead of a capital market upturn.

Simon Browne, Brighton, Crickmay Chartered Surveyors, scb@crickmay.co.uk - No considerable change over past 3 month. Agent asking prices often appear high.

Stephen Ray, Redhill And Reigate, SHW, sray@shw.co.uk - Market more subdued than the previous quarter except for industrial generally speaking.

Tim J A Davis, South Coast, Hargreaves, timjadavis@gmail.com - Improved confidence over the quarter and a slow unwinding of gearing enabling the typically lower geared long term players to make selective moves. Rain hasn't stopped play but some sunshine would help!

South West

Andrew Kilpatrick, Swindon, Kilpatrick & Co Commercial Property Consultants Limited, A.Kilpatrick@kilpatrick-cpc.co.uk - Swindon's market has been generally subdued in Q1 2024 thanks to general economic conditions and the wet weather. Whilst activity has started to pick up recently, there's no sign of a pre-election boom.

Anne Brennan, Poole, Sibbett Gregory Chartered Surveyors, anne@sibbettgregory.com - Some signs of growth and confidence in certain sectors with difficulties continuing in others. This is driven by the shortage in both office and industrial sectors. Industrial market softening following long period of extensive rental and capital growth.

Antony Milton, SW, Exeter City Council, TonyMiltonPlease@gmail.com - Market in the doldrums in anticipation of election and changes to planning and economy.

Bryan Galan, Dorset, Mellawood Properties Ltd, bryan.galan@outlook.com - Apart from the residential sector, I see a further drop in values and rents in offices, and retail. Industrial units will have a modest increase.

Chris Wilson, Poole, Goadsby, chris.wilson@goadsby.com - We may see some rental/price growth for new industrial as occupiers realise that if they want new high quality ESG compliant buildings then there is a substantial premium to be paid since developers need to charge more to make their appraisals work following the rise in the cost of materials and yields softening.

Damian Cook, Exeter, Stratton Creber Commercial, damian@sccexeter.co.uk - There is reasonable demand for correctly priced property and signs of recovery in the market. The office market remains challenging. Industrial demand has tailed off with still limited supply. Secondary retail is healthier than nationally reported.

Elizabeth Birchley, SW, Evolve Fund Services Ltd, ebirchley@evolvefs.co.uk - I think the election will have an impact on market sentiment.

Gary Lucas, Dartmouth, GSL Advisory, glucas119@btinternet.com - Due to the nature of existing stock in the region, upgrading to meet new environmental standards in some sectors, particularly housing, will be challenging.

Heather Peel, SW, Segro, heather.peel@segro.com - Investors are carefully considering the latest UK inflation data and look forward to Fed's policy announcements but there is a slight increase of positive sentiment which, coupled with signs of early recovery, are helping drive rents slightly up.

Huw Thomas, Chippenham, Huw Thomas Commercial., huw@huwthomascommercial.com - Prime retails in High Streets and shopping centres continue to struggle, but secondary retail has strong demand from local independent traders. Lots of developer demand seeking vacant office buildings for conversion to residential use. Increase in demand for traditional office use. Industrial / warehouse market remaining static.

Ian Knight, Bristol, Homes England, ian.knight@homesengland.gov.uk - The appetite for additional student housing in Bristol appears to be insatiable.

Ifan Rhys-Jones, Plymouth, Listers Property Consultants, IFAN.RHYSJONES@BTINTERNET.COM - Increase in supply, particularly of office stock and thinner demand across all sectors we deal with.

Jan Merriott, Dorchester, Symonds And Sampson, jmerriott@symondsandsampson.co.uk - Some optimism creeping back despite election year. Maybe this is because we have factored in a change of government already rather than uncertainty?

Jon Stone, Exeter, Jon Stone Surveyors Ltd, jon@jonstone.co.uk - Steady as you go.

Michael Oldrieve, Exeter, MO, m.oldrieve@btinternet.com - Steady as she goes.

Oliver Workman, Cheltenham, THP Chartered Surveyors, oliver@thponline.co.uk - The start of 2024 has largely continued the main theme of 2023, where there is significant caution in the market. There is however some low level optimism building that the economy is already out of recession and that interest rates will be lowering over the course of the year.

Roderick Thomas, Wells, Roderick Thomas Ltd, rdt@roderickthomas.co.uk - Going upwards this spring.

Scott Rossiter, Exeter, Rossiter Property Consultants, scott@rossiterproperty.com - All slow. Everyone sitting on hands. Need a spring bounce but this will be dampened by interest rates not falling and the overhanging election.

Tim Smith, Exeter, Hitchcocks Group, tim@hitchcocksbusinesspark.co.uk - Levels of incentives for industrial leasehold increasing but demand holding up. Secondary offices struggling and noticeable levels of vacancy for prime city centre retail.

Tim Wright, Dorchester, Greenslade Taylor Hunt, tim.wright@gth.net - Market conditions remain fairly stable. We are still experiencing a lack of good quality industrial stock.

Wales

Chris Sutton, Cardiff, Sutton Consulting Ltd, chris.sutton@suttonconsulting.co.uk - Industrial rents continue to strengthen for Grade A new-build floorspace at St Modwen Park, Newport with £8.75 per sq. ft achieved and quoting rents now over £9.00 per sq. ft. Only three years ago rents on the same estate were £6.50 per sq. ft. The office market continues to adapt to changing working patterns with occupiers shifting to higher quality floorspace, with a focus upon Cardiff city centre. The lack of shovel-ready employment sites along the M4 corridor is a constraint on the economy.

David Herbert, Cardiff, Cyncoed Property, david.herbert@cyncoedproperty.co.uk - Things starting to move.

Michael Bruce, Cardiff, DLP Surveyors, michael@dlpsurveyors.co.uk - We have noticed a definite slowdown in the level and type of commercial enquiries received. There is a general sense of cautiousness which has not been helped by the decision of TATA Steel to close the 2 blast furnaces at Port Talbot steelworks - this has already effected levels of commercial property demand in the Bridgend/Neath Port Talbot/Swansea area.

West Midlands

David Macmullen, Birmingham, Macmullen Associates Ltd, dmacmullen@macmullenassociates.com - Market is plodding along at a modest level. Activity reflects the relative pre-election mood and may well increase if Labour win the general election.

Malcolm Wilcox, West Midlands, Cordwell Leisure Developments Limited, malcolm@cordwellgroup.com - The Commercial Leisure Market depends upon financial and economic certainty backed by political stability and the BOE acting to reduce the cost of borrowing. A significant upturn is likely when these issues have been addressed and the General Election decided. This is why the 12 month forecast is the real indicator of market trends.

Michael David Jones, Malvern, Michael D Jones Ltd, Mjones5400@yahoo.com - Leisure facilities really struggling now , retail market and in particular secondary /tertiary retail premises floundering badly.

Mr Simon Horan, Hereford, Fairfield Land & Development Ltd, simon.horan@fairfieldland.co.uk - Lack of momentum across multiple sectors due to pending general election. Most organisations are risk adverse seeking to streamline businesses to maintain profits as inflation still erodes profitability.

Neil G Harris, Birmingham, Lane Cove, neil@lanecoveproperties.com - Finance (cost of) remains a factor holding back the market, finance availability and cost are a barrier.

Raman Thakur, Birmingham, Property Letting, ramanthakur@birmingham.gov.uk - All in all it has been another good year for the industrial market with shed space being let. Secondary office space is now becoming vacant and developers are buying investments with the proposal of securing planning to convert office space into apartments or student accommodations. High Street Retail is improving slightly as more and more people return to work.

Richard David Calder, Birmingham, The Manager, richard@calderssurveyors.com - Industrial and warehousing remains the strongest sector with continuing but slowed growth in rents and capital values.

Richard Topps, Stratford Upon Avon, NFU Mutual, richard_topps@nfumutual.co.uk - We are at a key point in the UK property cycle. Investors need to see some prospects for positive returns but economic and global politics still loom over general confidence levels in the market. There are some early signs that some sectors are now at the bottom and opportunities for growth are returning.

Yorkshire & the Humber

Andrew Morton, Jersey (Residence) And Companies In Uk And Jersey, Kamel Properties Limited, a.morton@me.com - I believe that considering the limited growth in the property market in recent years and the high levels of inflation in other areas of the economy, property prices in real terms are now low, when considered as part of a normal property cycle. Therefore, the property sector is likely to experience an upturn in prices as interest rates are reduced as the Bank of England gradually drop their rates due to lower inflation numbers.

John Hornsby, York, John R Hornsby Chartered Surveyors, info@johnrhornsby.co.uk - I operate on a small scale mostly in the secondary commercial market and mostly retail. I have not seen any significant changes to rental or capital values either way over the past 3 months and do not anticipate any major shifts over the coming year. Tenant demand however remains steady.

Mr Richard Heslop, Ilkley, DE Commercial Ltd, richard@de-commercial.co.uk - With the prospect of interest rates having peaked and inflation under control, there was hope of an upturn. However, with a general election looming and the country in a mild recession, there is still a lot of uncertainty amongst occupiers and investors. Furthermore vendors' expectations of what their property is worth is out of kilter with the market and this is hampering activity levels and a potential upturn in the property cycle.

Neil Daniel, Brighouse, NSD Consultancy, ndaniel@talktalk.net - Currently stable.

Nicholas Child, Leeds, Wilton Developments Ltd, nick.child@wiltondevelopments.co.uk - Starting to slowly show signs of picking up subject to no further disruptions.

Phil Brandreth, Doncaster South Yorkshire, The Conservation Volunteers, phil.brandreth@tcv.org.uk - Hard times are back

Richard Corby, Harrogate, Lambert Smith Hampton, rcorby@lsh.co.uk - Completing deals remains a challenge but we are seeing some occupier clients being more decisive on their relocation projects due to limited stock in the market and perceptions that office and industrial rents will continue to increase.

Robert Austin, Leeds, Robert Austin And Co, robert.austin@robert-austin.co.uk - We are in a mini recession.

Tony Cole, York, Grafton Land & Property, tcole@graftonlp.co.uk - Finance costs, living wage increases and energy costs are limiting growth in the elderly care sector despite growing needs due to a fast ageing population. Recent softening of energy prices and potential base rates reduction may generate increased investor, operator and developer demand in the second half of the year.

UK Commercial Property Monitor

RICS UK Commercial Property Monitor is a quarterly guide to the trends in the commercial property investment and occupier markets. The report is available from the RICS website www.rics.org/economics along with other surveys covering the housing market, residential lettings, commercial property, construction activity and the facilities management market.

Methodology

Survey questionnaires were sent out on 13 March 2024 with responses received until 12 April 2024. Respondents were asked to compare conditions over the latest three months with the previous three months as well as their views as to the outlook. A total of 554 company responses were received.

Responses have been amalgamated across the three real estate sub-sectors (offices, retail and industrial) at a country level, to form a net balance reading for the market as a whole.

Net balance = proportion of respondents reporting a rise in a variable (e.g. occupier demand) minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the net balance will be 25%). Net balance data can range from -100 to +100.

A positive net balance reading indicates an overall increase while a negative reading indicates an overall decline.

Contact details

This publication has been produced by RICS. For all economic enquiries, including participation in the monitor please contact: economics@rics.org

Disclaimer

Economics Team

Simon Rubinsohn

Chief Economist

srubinsohn@rics.org

Tarrant Parsons

Senior Economist

tparsons@rics.org

Dong Lai Luo

Senior Economist

dluo@rics.org

Adib Munim

Economist

amunim@rics.org

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Americas, Europe, Middle East & Africa
aemea@rics.org

Asia Pacific
apac@rics.org

United Kingdom & Ireland
contactrics@rics.org